

AR12



ANNUAL REPORT 1965

MINDUSTRIAL
CORPORATION
LIMITED



MINDUSTRIAL CORPORATION LIMITED

Executive office: 15 Prince Andrew Pl., Don Mills (Toronto), Ontario

BOARD OF DIRECTORS

R. W. Eden	Vice President and Treasurer, Toronto
J. G. Edison, Q.C.	Partner, Edison, Aird & Berlis, Toronto
H. G. Harris	President, Ash Temple Limited, Toronto
R. C. C. Henson	Partner, S. J. Brooks & Co., Toronto
Argue Martin, Q.C.	Partner, Martin and Martin, Hamilton
L. R. Mason	Director, Butler Metal Products Co. Ltd., Preston
O. J. McKeough	Vice-President, Copp Clark Limited, Toronto
D. E. McQuigge	Vice-President, Toronto
W. P. Walker, O.B.E.	President and General Manager, Toronto

OFFICERS

W. P. Walker, O.B.E.	President and General Manager
J. G. Edison, Q.C.	Vice-President and Secretary
R. W. Eden	Vice-President and Treasurer
D. E. McQuigge	Vice-President
Mrs. May F. Roch	Assistant Secretary-Treasurer
G. R. W. Skerrett, C.A.	Assistant Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR
Guaranty Trust Company, Toronto

SOLICITORS
Edison, Aird and Berlis, Toronto

AUDITORS
Clarkson, Gordon & Co., Toronto
Price Waterhouse & Co., Toronto

BANKERS
The Canadian Imperial Bank of Commerce, Toronto

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors submit for your approval the Annual Report of the company containing the consolidated financial statements for the year ended December 31, 1965.

Changed Form of Financial Statement

In prior years, because of substantial outside interests existing in various corporations affiliated with your company, the financial statements of the company were issued on an unconsolidated basis. However, due to recent changes in shareholdings, in corporate structure, and as a result of favourable operating results, outside interest considerations have become less significant. In view of this, and as a means of providing a more comprehensive picture of the financial position and operating results of your company and its subsidiaries, financial statements to the shareholders for the year 1965 are provided on a consolidated basis with comparative figures for the previous year. We trust this change in presentation will be helpful to you.

Consolidated Balance Sheet

Working capital at December 31, 1965 amounted to \$755,000 which reflected an increase of \$26,000 in the year. During 1965, additions were made to fixed assets amounting to \$968,000 at cost. These additions were mainly with respect to the new premises and equipment of Aersol Packaging Limited, and additional equipment obtained by Butler Metals.

Under 'Other Assets' the most notable change is reflected in the decrease of \$73,100 in the account "Properties held for Sale". This amount represented land and buildings of Maxwell (1964) which were sold in 1965.

In the past year long term debt increased by the net amount of \$897,000. As reflected in detail in note 4 which accompanies the financial statements, the long term debt of the subsidiaries increased by \$1,050,000 while Mindustrial's debentures were redeemed to the extent of \$153,000. The increase in subsidiary debt — basically at Aersol Packaging — was undertaken to permit both the construction and equipping of new facilities and to provide working capital for increased volume anticipated.

Consolidated Statement of Income

In 1965, net sales amounted to \$9,143,000 — an increase of 43% over the volume attained in the prior year. Profits before tax in 1965 amounted to \$741,400 compared with \$364,300 in 1964. In that year, because of the availability of major tax credits, income taxes amounted to only \$27,000. These credits were not, however, available to the same extent in 1965. As profits of certain subsidiaries could not, for tax purposes, be offset by losses incurred by others, taxes for the period amounted to the high figure of \$407,000. After providing for appropriate taxes and after recognizing the extent of the minority interest, consolidated income for 1965 of \$320,500 was comparable to the prior year's earnings of \$321,300.

Consolidated Statement of Earned Surplus

Shareholders' attention is drawn to the reconciliation between unconsolidated earned surplus as previously reported and the new consolidated presentation.

In 1965 regular dividends totalling 30¢ per share were declared together with extras totalling 20¢ for an aggregate payment of 50¢ per share. This compares with 30¢ per common share declared in the prior year.

After reflecting income for the year and dividends disbursed, the consolidated earned surplus at December 31, 1965 amounted to \$574,000 as compared with \$577,000 in 1964.

OPERATING COMPANIES

Subsidiaries

AERSOL PACKAGING LIMITED

In 1965 this organization suffered from the effects of a fire which, in November 1964, destroyed a major portion of the production and warehouse buildings, together with important elements of inventory and packaging equipment.

In consequence there were major disruptions to production and costly operating inefficiencies. A warehousing function separate from the remaining inadequate production area, caused added cost and extraordinary inconvenience. Although machine suppliers were most helpful, restoration of minimum facilities was not

immediately achieved. Despite these problems customers were reasonably served and a further increase in sales was achieved.

In last year's report, it was stated that a new building, having an area of 55,000 square feet, was being built. Due to difficulties in the construction industry, occupancy of this building did not take place until year-end. In the latter part of the year we were faced with shut-down and relocation expense coupled with cessation of production necessitated by the move. This, of course, further added to the complications of the year 1965. The costs of relocation, although incurred to permit increased volume and efficiency in the future, were absorbed into the 1965 accounts. Premises formerly occupied have now been leased to responsible tenants. Because of these circumstances, many of them adverse, and because insurance carried by the company was not entirely adequate to compensate for loss of income occasioned by the fire, the company incurred a net loss in 1965.

The new premises are well suited to Aersol Packaging's requirements, permitting major expansion as growth in demand may necessitate. We continue to be optimistic as to growth in volume and diversity of demand for our packaging services. The outlook is for improved efficiency and gradual restoration of normal profits.

BUTLER METAL PRODUCTS CO. LTD.

The sales of this company in 1965 increased substantially over the volume achieved in the preceding twelve months. As a consequence of this increased volume and highly satisfactory manufacturing efficiency, earnings achieved in 1965 were much higher than those of the prior year and, in fact, earnings records were established.

Butler Metals, as a parts supplier to the automobile industry, has benefitted from the increased volume of that industry. While the implications of the automotive trade agreement between Canada and the United States are not fully identified, it would appear that Butler Metals will continue as a significant supplier to the major Canadian, and perhaps some of the American, plants of the automobile industry.

The Water Conditioning Division of Butler experienced higher sales in 1965 and operated at a profit.

The prospects for Butler Metals, for this year and subsequently, appear most encouraging.

In anticipation of a further increase in demand for Butler's products, a gradual increase in capacity is planned, including capital outlays exceeding \$250,000 in 1966.

TRENCH ELECTRIC LIMITED

In the past year the sales achieved by this organization increased modestly from the volume achieved in 1964. Export sales showed a most encouraging trend. Operating efficiencies were improved, although this was offset by a further increase in research and development costs. As a result the loss in 1965 was somewhat greater than the loss incurred in the previous year.

Orders already in hand indicate that 1966 sales should be substantially higher than those of last year. During the present year further increase in efficiency will be partially offset by added product development and research expense; a small overall loss may occur.

In 1965 good progress was made in the development of new techniques and products. Improved methods should bring about very material cost savings by this year-end. If market assessment of new products indicates their acceptability, there should be substantial further increase in sales in future years with good prospects for significant profits.

MAXWELL (1964) LIMITED

In 1965 the balance of the assets acquired from Maxwell Limited were sold according to plan. By January 1966, the company had reduced its capital and made payments totalling \$1.00 per share thereby reducing its cash to \$33,000. In November 1965, Mindustrial made an offer to buy the remaining shares of Maxwell (1964) Limited held by outside shareholders. As a result, further shares were acquired at a net cost of \$3,000 so that your company owns 97.3% of the equity of Maxwell (1964) Limited.

MUNICIPAL SPRAYING & OILING CO. LTD.

AND MUNICIPAL TANK LINES LIMITED

Early in 1966 Maxwell (1964) Limited acquired, for a total cost of \$455,000, a 49.9% interest in the common stock of the above two companies, both having

their headquarters in the Toronto suburb of Rexdale. The operations of these two companies have been carried on successfully in an associated manner, for a number of years. Their management, which has been augmented, is competent and experienced. Substantially all the remaining outstanding shares are held by a group of business men experienced in the highway transport field. Through these acquisitions, your company has an opportunity to participate in the rapidly growing segment of the trucking industry involved in the transport of bulk liquid cargoes in Ontario.

MULDISCO INC.

This company, as predicted, again incurred a loss in 1965. It was unable to establish a profitable volume and is currently inactive.

Associated Companies

ASH TEMPLE LIMITED

In 1965, the volume achieved by this company improved satisfactorily. Earnings after taxes amounted to \$245,000 compared with \$241,000 in the prior year, an improvement in earnings per common share from \$2.10 to \$2.15.

In the past year, Ash Temple Limited, expanded its programme of equipment leasing. Since earnings on leased equipment are reflected in equal monthly amounts over the life of each rental contract — which most commonly is for five years — only a modest portion of earnings is reflected in the initial year of any contract. As time passes, a consistent leasing programme should provide attractive increments of income to Ash Temple.

The overall prospects of this company continue to be highly favourable.

MARITIME DENTAL SUPPLY COMPANY LTD.

In 1965 the earnings of Maritime of \$31,500 equalled the earnings of 1964. In view of increasing competition in the Maritime provinces, the maintenance of earnings at the previous year's level is considered satisfactory.

OUTLOOK

Assuming there is no major let-up in business activity, consolidated earnings of 1966 should at least equal those of the past year. Prospects for Butler Metals continue favourable. Aersol Packaging, while settling into its new premises and achieving increased sales may, in the short term, experience restricted earnings. Trench Electric's net results should compare favourably with those achieved in 1965 with the possibility that, in the longer term, there will be very considerable profit improvement.

It is expected that, among associated companies, Ash Temple and Maritime Dental will show modest profit improvement. The Municipal companies should make progress toward a satisfactory earnings level, although this may be curtailed initially by capital expansion and re-organization.

Mid-Year Dividend

On May 31, the regular, semi-annual dividend of 15¢ per common share was declared, payable on June 30th. Although it is expected that consolidated profits for the first half of 1966 will compare favourably with earnings achieved in the same period last year, it was considered inappropriate to declare an extra dividend at this time. During the present period of tight money, available cash resources should be conserved in reasonable amount to permit the continuing growth of your company's interests.

Executive Appointment

In 1965 Mr. D. E. McQuigge, who has been a Director of your company for the past several years, was appointed a Vice President of this company.

The Directors wish to take this opportunity to express their appreciation to the employees of all companies associated with Mindustrial for their valuable contribution in the past year.

On Behalf of the Board of Directors

Toronto, Ontario

June 6, 1966

W. P. WALKER,
President

MINDUSTRIAL CORP.

(Incorporated under the laws of the State of New York)

and subsidiaries

CONSOLIDATED

DECEMBER 31, 1965

(with comparative figures for 1964)

ASSETS	1965	1964
CURRENT:		
Cash	\$ 347,953	\$ 80,086
Short term notes and deposits	200,000	200,000
Accounts receivable	722,440	873,967
Inventories, valued at lower of cost or market	1,504,582	1,269,720
Prepaid expenses	42,455	52,117
Total current assets	<u>2,817,430</u>	<u>2,475,890</u>
INVESTMENTS:		
Investment in shares of associated companies, at cost —		
Ash Temple Limited (market value 1965 — \$912,190; 1964 — \$1,056,220) (notes 2 and 3)	178,977	178,977
Maritime Dental Supply Company Limited (no quoted market value)	42,671	42,671
Total investment in associated companies	<u>221,648</u>	<u>221,648</u>
FIXED ASSETS, AT COST:		
Land	140,854	35,679
Buildings	831,458	330,334
Machinery and equipment	791,411	429,475
	<u>1,763,723</u>	<u>795,488</u>
Less accumulated depreciation	174,800	93,236
	<u>1,588,923</u>	<u>702,252</u>
OTHER ASSETS:		
Properties held for sale at written down values		73,162
Deferred expenses	58,623	53,164
Patents at cost less amounts written off	41,902	42,930
Premium paid on acquisition of subsidiaries	217,535	193,102
	<u>318,060</u>	<u>362,358</u>
	<u>\$4,946,061</u>	<u>\$3,762,148</u>

(See accompanying notes to financial statements)

AUDITOR'S REPORT

To the Shareholders of Mindustrial Corporation Limited:

We have examined the consolidated financial statements of Mindustrial Corporation Limited and subsidiary companies as at December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements

ORATION LIMITED

laws of Ontario)

companies

ALANCE SHEET

31, 1965

December 31, 1964)

LIABILITIES	1965	1964
CURRENT:		
Bank indebtedness (note 3)	\$ 518,000	\$ 821,021
Accounts payable and accrued charges	1,093,140	810,329
Income taxes payable	391,456	43,857
Portion of long-term debt due within one year	59,236	71,421
Total current liabilities	2,061,832	1,746,628
DEFERRED INCOME		60,037
LONG-TERM DEBT.: (NOTE 4)	1,707,280	809,954
DEFERRED INCOME TAX (NOTE 6)	36,000	
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES	55,855	59,566
SHAREHOLDERS' EQUITY:		
Capital stock (note 5) —		
Preference redeemable 6% convertible sinking fund, par value \$50 each:		
Authorized but unissued — 32,500 shares		
Common:		
Authorized — 3,000,000 shares without par value		
Issued — 647,054 shares (646,529 shares in 1964)	511,303	509,203
Earned surplus	573,791	576,760
	1,085,094	1,085,963

On behalf of the Board:

W. P. WALKER Director

R. W. EDEN Director

\$4,946,061	\$3,762,148
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nsolidated financial statements)

REPORT

with the notes appended thereto present fairly the financial position of the company and its subsidiaries as at December 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 12, 1966.

CLARKSON GORDON & CO.
PRICE WATERHOUSE & CO.
Chartered Accountants

MINDUSTRIAL CORPORATION

LIMITED and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1965

(with comparative figures for the year ended December 31, 1964)

CONSOLIDATED STATEMENT OF INCOME

	1965	1964
NET SALES	\$9,143,887	\$6,380,057 ^{430/2}
COST OF SALES	7,379,481	5,184,460
GROSS PROFIT	1,764,406	1,195,597
EXPENSES:		
Selling and administrative	957,139	763,654
Debenture interest	54,217	48,733
Other interest	60,081	43,279
Depreciation	86,382	65,864
Directors' fees and expenses	7,125	7,375
	1,164,944	928,905
Income before the undernoted items	599,462	266,692
OTHER INCOME:		
Dividends from associated companies	54,191	49,390
Management fees	21,000	18,000
Interest earned	25,327	9,004
Sundry income	12,148	12,505
Adjustment of fire insurance claim of subsidiary	29,275	8,666
	741,403	364,257
INCOME TAXES	407,000	27,354
	334,403	336,903
MINORITY INTEREST	13,907	15,633
CONSOLIDATED INCOME FOR THE YEAR	\$ 320,496	\$ 321,270

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Unconsolidated earned surplus, December 31, 1963		\$ 746,885
Losses less profits of subsidiaries not provided for in unconsolidated financial statements		123,436
Consolidated earned surplus, beginning of year	\$ 576,760	623,449
Add consolidated income for the year	320,496	321,270
	897,256	944,719
Deduct		
Consolidating adjustments relating to liquidation of Maxwell Limited		174,000
Dividends paid — 50¢ per share (1964 — 30¢)	323,465	193,959
	323,465	367,959
Consolidated earned surplus, end of year	\$ 573,791	\$ 576,760

(See accompanying notes to the consolidated financial statements)

MINDUSTRIAL CORPORATION

LIMITED and Subsidiary Companies

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF CONSOLIDATION

The company's subsidiaries included in the accompanying consolidated financial statements and the company's share of the subsidiaries' outstanding common share capital are as follows:

Subsidiary	Percentage of outstanding common shares owned
Wholly-owned subsidiary —	
M.C.L. Holdings Limited	100.0%
Partly-owned subsidiaries —	
Aersol Packaging of Canada Limited	* 84.7
Aersol Packaging Limited	** 84.7
Butler Metal Products Co. Ltd.	** 97.7
Civic Investments Limited	70.0
Maxwell 1964 Limited	97.3
Muldisco, Inc.	77.5
Trench Electric Limited	80.0

*Including 35.7% held through Civic Investments Limited.

**Held through M.C.L. Holdings Limited.

2. INVESTMENT IN ASH TEMPLE LIMITED

The indicated market value of the company's holdings in Ash Temple Limited is the result of pricing the holdings at the closing market price at December 31, 1965. The market value does not necessarily represent the value of the entire block which may be more or less than that indicated by the market quotation.

At December 31, 1965 the company's equity in the net assets of Ash Temple Limited amounted to \$461,352 (1964 — \$406,222).

3. CURRENT BANK INDEBTEDNESS

Substantially all the company's holdings of shares of Ash Temple Limited, together with accounts receivable and inventories having an aggregate book value of approximately \$240,000 are pledged against current bank indebtedness.

4. LONG TERM DEBT

Long term debt consists of the following:

	1965	1964
Mindustrial Corporation Limited —		
5½% convertible, redeemable sinking		
fund debentures due December 1, 1974:		
Authorized — 1,500,000		
Issued, less \$688,100 (1964 — \$534,850)		
redeemed or converted	\$ 541,900	\$695,150
Subsidiaries —		
7% convertible debentures, maturing June 15, 1974,		
less \$380,000 (1964 — 582,000) held by		
parent company, convertible into common shares		
of the subsidiary to July 15, 1966	58,095	71,472
Demand note payable to bank	625,000	
7½% first mortgage due December 15, 1980	375,000	
Due under conditional sales contracts	107,222	
Other	59,299	114,753
	1,766,516	881,375
Less amounts due within one year included		
with current liabilities	59,236	71,421
	\$1,707,280	\$809,954

The 5½% debentures issued by the company are convertible on the basis set out in note 5 below and are redeemable on thirty days' notice on or before December 1, 1969 at 101% and thereafter at par, all plus accrued interest to the date of redemption. At December 31, 1965 approximately \$178,000 in debentures had been redeemed in advance of sinking fund requirements.

The 7% debentures issued by a subsidiary are redeemable at a premium of 10% to June 16, 1966, which premium is reduced by two percentage points in each of the succeeding four years. The debentures are convertible into common shares of the subsidiary at any time to July 15, 1966.

In support of the demand note, a subsidiary has created and pledged 6% demand debentures secured by a first charge on real property (subject to postponement in favour of the \$375,000 first mortgage) and a first floating charge on all other assets. The subsidiary's assets at December 31, 1965 totalled approximately \$1,750,000. The demand note, which is in part guaranteed by a third party, is scheduled for repayment in instalments commencing in 1969 and accordingly is included as a non-current liability in the accompanying balance sheet. Under the terms of the guarantee, \$250,000 of the subsidiary's working capital included in the accompanying consolidated balance sheet is restricted as to payment of dividends by the subsidiary.

5. CAPITAL STOCK

The company's debentures are convertible into common shares at a price of \$4.25 until December 1, 1967 and thereafter the price increases 25c per share every two years, or part thereof. During the year, 525 shares were issued on the conversion of debentures. At December 31, 1965, 129,529 shares were reserved for the conversion of debentures. A further 5,000 shares were reserved in respect of an option exercisable to 1974 granted to a director in the year to purchase shares of the company at \$3.50 per share.

6. DEFERRED INCOME TAX

The provision for income taxes for 1965 includes an amount of \$36,000 which is not currently payable as a result of claiming for tax purposes depreciation in excess of amounts recorded in the accounts.

7. EVENTS SUBSEQUENT TO THE YEAR-END

Subsequent to December 31, 1965, Maxwell (1964) Limited acquired a 49.9% interest in each of Municipal Spraying and Oiling Company Limited and Municipal Tank Lines Limited for a total cost of approximately \$455,000.



PRINCIPAL OPERATING COMPANIES

AERSOL PACKAGING LIMITED

Custom packager of aerosol products (85% of common stock owned through M.C.L. Holdings Limited)

Senior operating executive **D. B. Ross — Vice President and General Manager**
Executive office and plant **Thornhill, Ontario**

ASH TEMPLE LIMITED

Distributor of dental supplies and equipment (48% of common stock owned by Mindustrial Corporation Limited)

Senior operating executives **H. G. Harris — President**
 C. E. Peirce — Vice-President and General Manager
Executive office **Toronto, Ontario — Sales offices in 11 cities from Montreal to Victoria**

BUTLER METAL PRODUCTS CO. LTD.

Manufacturer of metal stampings and water conditioners (98% owned through M.C.L. Holdings Limited)

Senior operating executives **G. H. Layzell, C.A. — President and Treasurer**
 B. M. Ramsay — Vice-President, Sales
 Wm. C. Black — Vice-President, Manufacturing
 I. M. Macdonald — General Manager, Sovereign Water Conditioners Division
Executive office **Preston, Ontario**
Plants **Preston, Ontario**
 Richmond Hill, Ontario

MARITIME DENTAL SUPPLY COMPANY LTD.

Distributor of dental supplies in the maritime provinces (49% owned by Mindustrial Corporation Limited and 49% owned by Ash Temple Limited)

Senior operating executives **H. G. Harris — President**
 A. G. Cox — General Manager
Executive office **Halifax, Nova Scotia**

TRENCH ELECTRIC LIMITED

Manufacturer of specialty equipment for electrical transmission. (80% owned by Mindustrial Corporation Limited)

Senior operating executives **R. W. Eden — Vice-President and General Manager**
 A. B. Trench — Vice-President
Executive office and plant **Don Mills (Toronto), Ontario**

MUNICIPAL SPRAYING & OILING COMPANY LIMITED AND MUNICIPAL TANK LINES LIMITED

Repairing and maintaining road surfaces and public carrier of liquid cargoes (each company 49.9% owned through Maxwell (1964) Ltd.).

Senior operating executives **P. K. Roper**
 J. M. Bishop
Executive Office **Rexdale (Toronto) Ontario**

